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August 18, 2003

Marlene H. Dortch, Secretary
FCC
9300 East Hampton Drive
Capitol Heights, MD 20743

Re: *In the Matter of Lifeline and Link-Up*, WC Docket 03-109, CC Docket 96-45

Dear Secretary Dortch:

The Public Utilities Commission timely filed comments in the above-referenced proceeding via the electronic filing system on August 18, 2003. Included in this filing are the comments with the complete studies attached.

Sincerely,

Jodi J. Bair

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Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
	)	WC Docket No. 03-109
Lifeline and Link-Up	)	CC Docket No. 96-45

COMMENTS OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

INTRODUCTION AND BACKGROUND

On June 9, 2003, the Federal Communications Commission (FCC) released a Notice of Proposed Rulemaking (NPRM) in WC Docket No. 03-109 (In the Matter of Lifeline and Link-Up). The FCC's NPRM seeks comment on the *Recommended Decision* of the Federal-State Joint Board on Universal Service (Joint Board) regarding modifications to the Lifeline and Link-Up programs. In its *Recommended Decision*, the Joint Board suggested that the FCC expand the default federal eligibility criteria to include an income-based criterion and additional means-tested programs. In addition, the Joint Board recommended that the FCC require states, under certain circumstances, to adopt verification procedures. To more effectively target low-income consumers, the Joint Board recommended that the FCC provide outreach guidelines for the Lifeline/Link-Up program. The FCC requests more information concerning the reasons for differences in low-income penetration rates over time and among states. The Joint Board further recommended that the FCC seek comment on whether it would be possible to modify the Link-

Up program to directly address barriers posed by outstanding unpaid balances for local and long distance services.

Comments in this proceeding are due at the FCC on August 18, 2003. The Public Utilities Commission of Ohio (PUCO or Ohio Commission) hereby submits it comments in response to the FCC's NPRM in the above-captioned proceeding.

DISCUSSION

Income Eligibility and Self Certification

The FCC requests comments regarding proposed amendment to its income eligibility and self certification requirements. NPRM at ¶ 2.

The Ohio Commission's SBC/Ameritech merger settlement required the Company to conduct research in order to determine how best to decrease the non-telephone households in Ameritech Ohio's service territory. *In the Matter of the Joint Application of SBC Communications Inc , SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control*, Case No. 98-1082-TP-AMT. Ameritech Ohio was required to complete the study to determine the various causes of non-telephone households in Ameritech Ohio's current service territory. The research demonstrated that adding an income-based eligibility criterion to Ameritech's USA program would be one of the most effective ways to decrease the number of non-telephone households in the Ameritech service territory.

Ameritech hired a consultant, Wirthlin Worldwide ("Wirthlin"), to perform the required research. The study was conducted in two phases. Phase I of the study was qualitative, employing focus groups. Phase II was quantitative and used one-on-one interviews for the administration of a survey instrument.[1] Wirthlin identified the following research results as key findings regarding implementation of an income eligibility criteria:

- Those who said that they would qualify for either USA plan tend to have resistance to receiving assistance and applying for financial help.

- 70% of the participants were either extremely interested or very interested in signing up for either USA plan if they were eligible based on income.

- 75% of the participants would be willing to show proof of their total annual income for verification purposes.

Id., Non-Phone Quantitative Study, Final Report, Wirthlin Worldwide, December, 2000 at 74-86, 104-108 (May 7, 2001).

Wirthlin's report stated that the USA Plans are underutilized, due primarily to a lack of awareness of them (*Id.* at 79), and suggested the following approaches to decreasing the incidence of phonelessness:

- Increase communication of the USA plans primarily through targeted direct mail and television as well as through local newspapers and social service agency distribution.
- Low-income assistance -- an income-based eligibility provision to boost participation among non-plan qualifiers.
- Use an application process that minimizes the appearance of receiving financial aid, is simple to apply for, and reinforces the feeling that privacy will be protected.

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[1] Excerpts from the study are attached in electronic form. The complete SBC study is attached in hard copy as Attachment A

- *The assistance offer should be communicated as implying that the reader is likely to* qualify for the discount.
- Dispel misperceptions about the need to pay off outstanding long distance balances, having to pay for installation, or making a deposit (if no long distance is requested).

Id. at 8.

The Wirthlin research identified income-based eligibility as a valuable method for decreasing the number of non-telephone households in Ameritech Ohio's service territory. *Id.* at 104-105.

The Ameritech-sponsored research indicated that the working poor make up the majority of those who are currently without a telephone. Moreover, the quantitative study results support the fact that the working poor are being harmed by the lack of an income eligibility criterion. Of the 343 people interviewed for the study, 60% are employed but are still without telephone service. *Id.* at 115. Of those 60%, 41% are employed full-time. *Id.* The study results clearly indicate that even though a consumer has a full time job, she or he may not have enough money to have telephone service. Every effort should be made to reach out to this population. An income-based eligibility criterion will help to make basic telephone service affordable for the working poor and providing telephone service to the working poor will significantly reduce the number of non-telephone households.

Eligibility based solely on participation in one or more specified means-tested programs excludes families that are low-income but not receiving government assistance. The results of the study conducted by Wirthlin provides definite evidence that an income-based criterion was needed in Ohio. There were 70% of the survey respondents who were either extremely interested or very interested in signing up for either USA plan if they were eligible based on low income. *Id.* at 104-105. Three out of four (76%) consumers surveyed by Wirthlin were willing to show proof of total annual income in order to verify their low-income status. *Id.* at 106-108.

As mentioned previously, Wirthlin recommended that basing lifeline eligibility on income would decrease the number of phoneless households in Ameritech Ohio's service territory. Its recommendation was based entirely on the research results which found that one of the causes of phonelessness in Ameritech Ohio's territory is that some people do not participate in assistance programs but still cannot afford telephone service.

A similar commitment was required as a part of the Bell Atlantic Corporation and GTE Corporation (herein Verizon North) merger. *In the Matter of the Joint Application of Bell Atlantic Corporation and GTE Corporation for Consent and Approval of a Change in Control*, Case No. 98-1398-TP-AMT (Opinion and Order) (February 10, 2000). The company was required to carry out a commitment to study the causes for non-telephone households in Verizon North's service area.[2] *Id.* A copy of the study is attached. *Id.* The company was also required to develop short- and long-term practices and policies designed to decrease the number of non-telephone households in Verizon North's incumbent Ohio service territory.

On February 6, 2003, Verizon North filed its Ohio non-telephone subscriber study. The study was performed and presented by Wirthlin Worldwide in June 2001. The survey was administered to 372 people through personal interviews. None of the persons interviewed were homeless and all did not have a telephone in their homes. Of the households without telephones, there were 39% of the households in which a person was employed. *Id.* at 9. Under the current

[2] Excerpts of the Verizon study are attached for electronic filing The complete study is attached in hard copy as Attachment B

requirements (participation in a qualifying program), there were 58% of the respondents who reported that they would qualify for the Lifeline program and 39% who indicated that they would not qualify. *Id.* at 73. There were 71% of the respondents who reported that they would be extremely or very interested in the Lifeline program.

The respondents were asked whether they would participate in the Lifeline program if they were not participating in a qualifying program but could qualify for Lifeline through a low-income criteria. There were 69% of the respondents who reported that they would participate. *Id.* at 89. Of those who would participate through an income eligibility criteria, 62% of these respondents indicated that they would be willing to send verification of their income to the phone company. *Id.* at 90. The report reflects that 44 percent of the respondents had an annual income level under $5,000 and 38 percent had an income level of $5,000-$12,525. *Id.* at 24.

Wirthlin arrived at the following conclusions in their report of the study:

> *This study has indicated that if the Lifeline Plan is successfully communicated and implemented that as many as 44% of the phoneless market in the Verizon Ohio territory would be interested in the Plan and would participate. As the chart below indicates, by adding the low-income provision (and factoring in those who would verify their income) to the Plan, participation could rise to 59% of the market.*

Id. at 99. These non-telephone household studies offer compelling evidence that an income-based, eligibility criteria will have a positive effect in reducing the number of non-telephone households. The Ohio Commission was significantly influenced by the results of the studies, and has incorporated the 150% income eligibility criteria into the Lifeline Program it has adopted as a commitment in Ohio's Elective Alternative Regulation Rules. *In the Matter of the Commission Ordered Investigation of an Elective Alternative Regulatory Framework for Incumbent Local*

Exchange Companies, Case No. 00-1532-TP-ALT (Entry on Rehearing) (April 25, 2002), Ohio Admin. Code § 4901:1-4-05) (West 2003) (Attachment C). The Ohio Commission also adopted a rule which enumerates that all ILECs must use self-certification to enroll customers onto Life-line assistance who qualify through household income-based requirements. *Id.* Finally, the Ohio Commission adopted a rule permitting an ILEC to perform a verification audit of a customer applying for or a customer already on Lifeline assistance service. *Id.* The Ohio Commission has left it to the Company's discretion as to when and how it would conduct such an audit.

Promotion of the Lifeline Program and Outreach Guidelines

The FCC invites comments concerning the reasons for varying penetration levels amount the states for Lifeline and Link-Up programs. NPRM at ¶ 2.

The Lifeline program should include a marketing budget to promote the program and work with an advisory board to design outreach guidelines and an educational and promotional program.

The Ameritech non-telephone household study found that of those people in Ameritech Ohio's service territory without telephones, only 14% were aware of USA Plan 1 (state plan) and only 10% were aware of Plan 2 (federal plan). In the Verizon study, 15% of the respondents without telephones were aware of a special service for low-income people. In order to increase the effectiveness of the lifeline and line-up programs, a piece of the budget must focus strongly on awareness.

60-Day Notification Requirement

The FCC seeks comment on the Joint Board's recommendation to establish a rule that would require carriers to provide at least 60 days notice before discontinuing a customer's Lifeline benefits, in those instances where the carrier has determined that the customer is no longer eligible for the program.[3] NPRM at ¶ 2. The Ohio Commission supports the adoption of a 60-day notification requirement, and further suggests that such a requirement should be standard practice whenever a carrier seeks to terminate a customer's Lifeline benefits, regardless of the carrier's rationale.

The PUCO suggests that there may be other carrier-initiated circumstances that may result in a customer's termination of Lifeline benefits, including, a carrier's decision not to renew its ETC certification, or a reseller's business decision to cease providing the Lifeline or Link-Up programs. In any case, the response time that a 60-day notification requirement would provide may well be a critical factor in minimizing the impact that the carrier's decision would have on a low-income households.

Income-Based Criterion

The FCC's NPRM seeks comment on, the Joint Board's proposal to expand the eligibility criteria for the Lifeline and Link-Up programs by adding an income-based criterion. The Joint Board suggests that low-income households at or below 135% of the Federal Poverty Guidelines

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[3] The Ohio Commission does not recommend a 60-day notice for those discontinued from Lifeline and Link-Up benefits for reasons such as fraud or deception.

(FPG) should qualify for Lifeline and Link-Up absent participation in any other means-tested qualifying programs. NPRM at ¶ 1. The Ohio Commission supports the adoption of a 150% income-based criterion, consistent with the Ohio Commission's recommendation in its previously-filed comments to the Joint Board submitted in December 2001 in the FCC's Universal Service docket. *In the Matter of Federal-State Joint Board on Universal Service,* CC Docket No. 96-45 (Ohio Commission Comments) (January 2, 2002). In those comments, the PUCO stated that the inclusion of such a criterion would not only increase Lifeline subscribership, but would benefit one of the most underserved subsets of the low-income population -- the working poor.

The PUCO supports the adoption of a 150% FPG income-based criterion. Ohio currently utilizes this threshold and finds it effective in capturing more households that qualify as elderly or fall into the working poor category. If the FCC chooses not to adopt the 150% criterion, then the threshold should be, at a minimum, 135% FPG. Should the FCC go with the minimum of 135%, the states that are already utilizing the 150% must be grandfathered, in that they should continue to maintain the full amount of federal Lifeline and Link-Up support that they currently receive. This approach is supported by the fact that the Join Board's estimated cost-benefit analysis regarding the adoption of such a proposal included an assumption that those states already utilizing a 150% income-based criterion would continue to do so.

CONCLUSION

The Ohio Commission respectfully requests the FCC to adopt the recommendations made in these comments.

Respectfully submitted,

On Behalf of The Public Utilities Commission of Ohio

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Dated: August 18, 2003

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